

CONDUCTED BY THE

NATIONAL ASSEMBLY OF LOCAL ARTS AGENCIES

JOBS, THE ARTS AND THE ECONOMY

**HIGHLIGHTING FINDINGS FROM NALAA'S
"ARTS IN THE LOCAL ECONOMY" STUDY**

**PROJECT FUNDED BY
CHARLES STEWART MOTT FOUNDATION
NATIONAL ENDOWMENT FOR THE ARTS
AND THE 33 ARTS IN THE LOCAL ECONOMY PARTICIPANTS**

INTRODUCTION

RANDY ISAAC COHEN, NALAA DIRECTOR OF RESEARCH AND INFORMATION

THE ECONOMY: IT'S ON EVERYONE'S MIND

■ The American Public

"The Arts and Humanities contribute to the economic health and well-being of society."

81 percent agree

"The Arts and Humanities make my own local community a better place to live."

80 percent agree

Source: National Cultural Alliance, "The Importance of the Arts and Humanities to American Society," 1993.

■ Elected Municipal Officials

Which conditions will be most difficult to deal with during the next two years?

City fiscal conditions, 37%

Overall economic conditions, 34%

Unemployment, 28%

Source: National League of Cities, "City Fiscal Conditions in 1992."

■ Voters

Leading considerations when deciding who to vote for:

Economy, 52%

Social Issues, 25%

Source: The Roper Organization, 1992.

The goal of *Jobs, the Arts and the Economy* is to change America's perspective on the value of the arts.

This report highlights results from *Arts in the Local Economy*, NALAA's three year, 33-community economic impact study of the nonprofit arts industry. In addition to sharing the findings of our study, we have highlighted the salient findings of related economic impact studies. These studies provide perspectives of the economic impact of the for-profit arts industry, arts audience spending, labor and commerce data, and comparisons to professional sports teams.

By demonstrating that investment in the arts yields economic benefits, we intend to put a common misconception to rest: that support for the arts comes at the expense of economic development.

Jobs, the Arts and the Economy demonstrates that the arts are an industry — one that supports jobs, provides personal income, and generates significant revenue to the local, state, and federal government. ▼

THE ARTS MEAN BUSINESS

BY BOB LYNCH, NALAA PRESIDENT AND CEO

The *Arts in the Local Economy* study documents in unprecedented scope and detail the key role played by the arts in community economic development. The research was undertaken by the National Assembly of Local Arts Agencies (NALAA) to clarify these contributions, and to encourage communities to seize the economic benefits offered by the arts.

"I hope that in the years and struggles ahead we will work hard together to keep the arts and humanities alive and flourishing — not just here in the nation's capital or in the cultural capitals of this great land, but in every community and in every neighborhood."

**President Clinton
White House
October 7, 1993**

Most Americans recognize the inherent values of the arts, and the vibrancy and beauty they bring to community life across a broad spectrum of expression — in highly visible symphony orchestras, ballet companies, museums and theaters, and also in small and mid-sized endeavors such as ethnic dance ensembles, chamber orchestras, small presses, experimental and community theater groups, and alternative galleries and performance spaces.

Arts organizations are also engaged in our common struggle against the urgent problems of crime, homelessness, unemployment, disease and turmoil that are in the news daily. In communities of all sizes, local arts agencies contribute to neighborhood development programs and provide assistance to people who are disabled and disadvantaged.

Challenges and opportunities such as these — not to mention those in education, health and other vital areas — are forcing our nation to make difficult choices about how to spend our limited resources. But this report has a critical message for those making such choices: **When our communities invest in the arts, they are *not* opting for cultural benefits at the expense of economic benefits.** Careful research shows that in addition to being a vital means of social enrichment, the arts are also an economically sound investment for communities of all sizes. Quite simply, the arts are an industry that generates jobs.

This economic dimension of the arts can sometimes be overlooked, perhaps because they are mistakenly perceived solely as a charitable cause or the province of a few major cultural institutions and their

HIGHLIGHTS OF NALAA'S "ARTS IN THE LOCAL ECONOMY" STUDY

TOTAL ECONOMIC IMPACT OF NONPROFIT ARTS ORGANIZATIONS IN THE UNITED STATES:

▼ Expenditures of nonprofit arts organizations	\$36.8 billion
▼ Total full-time-equivalent (FTE) jobs supported	1.3 million
▼ Arts FTE jobs supported	908,800 <i>(0.94 percent of U.S. workforce)</i>
▼ Personal income paid	\$25.2 billion
▼ Local government revenue	\$790 million
▼ State government revenue	\$1.2 billion
▼ Federal income tax revenue	\$3.4 billion

AVERAGE TOTAL ECONOMIC IMPACT OF 33 COMMUNITIES PARTICIPATING IN NALAA'S STUDY: (POPULATION RANGE: 8,500 TO 2,500,000)

▼ Expenditures of nonprofit arts organizations	\$75.3 million
▼ Total FTE jobs supported	2,385
▼ Arts FTE jobs supported	1,613
▼ Personal income paid	\$61.8 million
▼ Local government revenue	\$2.5 million
▼ State government revenue	\$3.2 million

Total economic impact Per \$100,000 of local spending by a nonprofit arts organization:

▼ Total FTE jobs supported	4.0
▼ Personal income paid	\$90,780
▼ Local government revenue	\$3,385
▼ State government revenue	\$4,544

Results for each community and community groupings for each of the three years are available in the Final Report of "Arts in the Local Economy."

Source: National Assembly of Local Arts Agencies, "Arts in the Local Economy," 1994.

patrons. Yet that perception seriously underestimates their value and potential.

“The arts are integrally related to the U.S. economy and contribute to our nation’s wealth, competitiveness and growth. . . . The arts have a direct economic impact, particularly in terms of increased tourism and improved downtown development.”

President’s Committee on the Arts and Humanities, “The Value of the Arts.”

The arts have a positive impact not only on a community’s quality of life, but also on the entire social and business fabric. Arts districts attract business investment, reverse urban decay, revitalize struggling neighborhoods, and draw tourists. Attendance at arts events generates related commerce for hotels, restaurants, parking garages, galleries, and more. Arts organizations themselves are responsible businesses, employers, and consumers.

Despite their place in the local economy, however, the arts are repeatedly overlooked as a legitimate tool for economic and social improvement. This omission occurs in both public and private settings — especially when new leaders arrive who are unschooled in the real economic benefits of the arts. Even if the positive social values of the arts are recognized, they are often shortsightedly dismissed as “unaffordable.”

U.S. Labor Secretary Robert Reich has spoken of the changing American work force and how improved industry productivity often ends up dislocating workers. He speaks of the need to retrain and relocate those workers. This is all true. It is equally important to pay serious attention to an industry such as the arts, which is undervalued and under appreciated to start, and yet, is sizeable and productive today and is also a major growth industry. The U.S. Department of Labor itself cites musicians as one of the fastest growing job areas, predicting a 25 percent increase over the next 13 years. And all these jobs are right here at home.

A 1992 survey of elected municipal officials by the National League of Cities revealed that their number one and number two concerns were (1) declining overall economic conditions and (2) unemployment. Yet NALAA studies show that because of the strong economic and job potential of the arts, these same officials facing tremendous local

"The link between the arts and flourishing economies is obvious — in tourism, job creation and career options for our youth through arts education. . . . By investing in the arts, we invest in our communities."

**U.S. Senator
Ben Nighthorse
Campbell, D-CO**

financial hardship have consistently increased aggregate support for the arts by approximately seven percent annually.

The National Assembly of Local Arts Agencies is also encouraged by the many recent signs that the current administration of our federal government values the arts as an instrument of economic and social development. We see it as our responsibility to provide strong, coherent information to reinforce resolve at national, state, and local levels to implement a positive change and to make sure that the arts are a core part of that agenda. Our leaders need visible proof of the economic benefits of the arts, so that arts funding can be strengthened and made less susceptible to public and political whim. Communities of all sizes deserve solid evidence that by investing in their local arts resources, they are not only generating social and aesthetic benefits, but also promoting economic well-being.

NALAA's *Arts in the Local Economy* study provides that proof. ▼

"Whereas the protection of jobs and the stimulation of new jobs are of vital importance to the local economy; and whereas, there are more jobs in the arts today than have ever existed at any time before in America and there is increasing potential for jobs in the arts at the local level,

Now, therefore, be it resolved, that the United States Conference of Mayors supports the National Assembly of Local Arts Agencies in its work to encourage communities across America to involve the arts as a partner in job creation and rebuilding local economies."

**U.S. Conference of Mayors
Official Policy Resolution (abridged), adopted June 1993,
at the 61st Annual U.S. Conference of Mayors**

"ARTS IN THE LOCAL ECONOMY" SUMMARY

"We recognize the importance of a healthy arts community in the total picture of local economic development, which is a long-held interest of our foundation. The Mott Foundation is pleased to have been a part of this project."

Jeanette Mansour
Charles Stewart
Mott Foundation

The findings from NALAA's *Arts in the Local Economy* study bring compelling new evidence that the nonprofit arts are a significant industry in the United States, supporting jobs and stimulating local economies. It shows that nationally, nonprofit arts organizations alone — a fraction of the total arts industry — generate more than \$36 billion of business within their communities, resulting in \$25 billion in personal income to local residents. This study provides a strong signal to communities that when they invest in the arts, they not only enhance the quality of community life, but also contribute to its local economic well-being.

This report summary provides highlights of a three-year study that analyzed the economic impact of spending by nonprofit arts organizations in 33 local economies across the country. The most comprehensive of its kind ever conducted, the study examined data from 789 nonprofit arts organizations in 33 communities in 22 states for fiscal years 1990, 1991 and 1992. Its objective was to document the experience of a cross-section of American communities and demonstrate what they gain from investing in the arts.

NATIONAL ECONOMIC IMPACT

This study has striking national implications. Because of the variety of communities surveyed and the rigor with which the study was

conducted, estimates of the national economic impact of nonprofit arts organizations can be extrapolated. For example, the nonprofit arts industry supported an average of 1.3 million jobs in the United States during each of the three years studied. As the table on the left shows, spending by local arts organizations generates billions of dollars in personal income and significant revenue to local, state and federal governments.¹

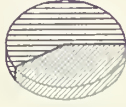
Total Economic Impact of
Nonprofit Arts Industry in the U.S.
(Average of 1990, 1991 and 1992)

Expenditures of nonprofit arts organizations	\$36.8 billion
Full-time-equivalent jobs supported	1.3 million
Personal income paid	\$25.2 billion
Local government revenue	\$790 million
State government revenue	\$1.2 billion
Federal income tax revenue	\$3.4 billion

Source: National Assembly of Local Arts Agencies, "Arts in the Local Economy," 1994.

**Jobs Supported in U.S. by
Nonprofit Arts Industry: 1.3 Million**

Direct Impact:
908,800 Jobs in
the Arts Industry

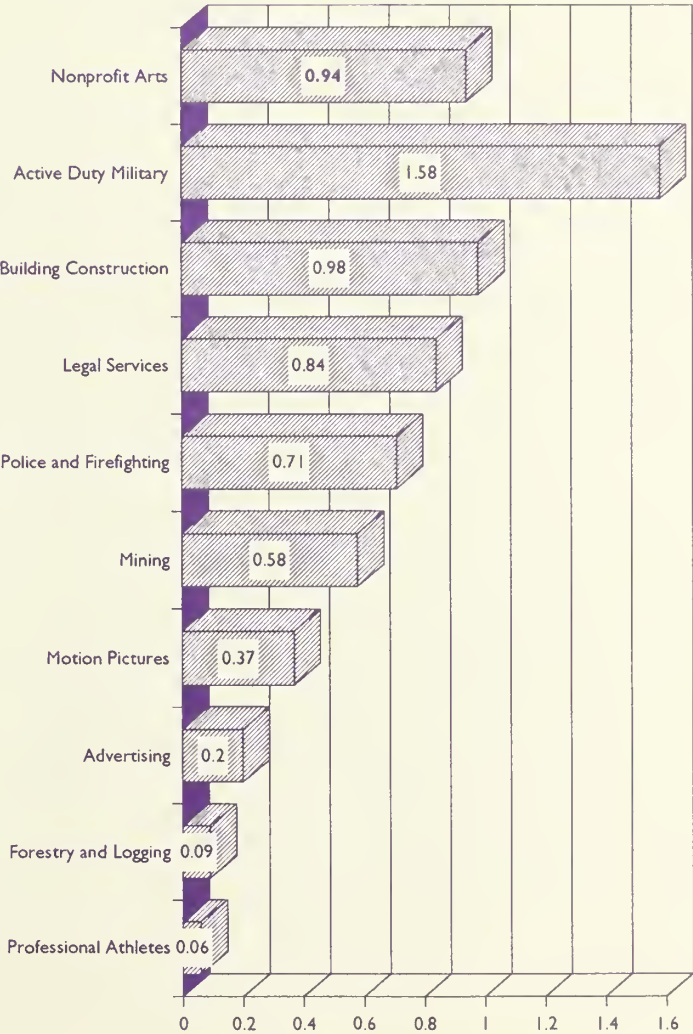


Indirect Impact:
391,200 Jobs
Outside of Arts
Industry

Source: National Assembly of Local Arts Agencies, "Arts in the Local Economy," 1994.

Of the 1.3 million full-time-equivalent (FTE) jobs supported by the nonprofit arts industry, 908,800 were in the arts sector, a direct result of expenditures by nonprofit arts organizations and representing nearly one percent of all full-time-equivalent jobs in the United States.⁷ This number gains significance when compared to the size of other work forces in this country. U.S. Department of Labor data for 1992, for example, show the following percentages for other industries:

Percentage of U.S. Workforce



Sources: U.S. Department of Labor, Department of Defense, NALAA, 1993.

LOCAL ECONOMIC IMPACT OF NONPROFIT ARTS ORGANIZATIONS

The estimated expenditures by nonprofit arts organizations in each of the 33 participating communities averaged \$75,326,502 during the three years studied. Of this amount, \$63,502,708 was spent locally (within the community) and \$11,823,794 was spent outside of the community. The local economic impact is based *only* on local expenditures; non-local expenditures have no local economic impact. The following table shows the **direct economic impact** of local expenditures — that is, the *initial* economic effect of local expenditures by nonprofit arts organizations. (Note that the average of the 33 communities is *not* the same as the average of the four population groups. This is because the 33 communities are not evenly divided among the population groups.)

Average Expenditures of Nonprofit Arts Organizations, 33 Participating Communities: \$75.3 million



Source: National Assembly of Local Arts Agencies, "Arts in the Local Economy," 1994.

Direct Economic Impact Per Community
(Average of 1990, 1991 and 1992)

Population Group	FTE	Personal	Local Gov't	State Gov't	Estimated Total	Estimated Local
	Jobs	Income	Revenue	Revenue	Expenditures	Expenditures
Less than 100,000	34	\$637,589	\$6,261	\$16,167	\$1,299,188	\$1,015,123
100,000 to 499,999	1,185	\$31,009,404	\$259,238	\$754,968	\$53,007,345	\$44,772,949
500,000 to 999,999	2,476	\$72,932,890	\$735,214	\$1,887,425	\$118,805,022	\$102,803,258
1 million or more	2,377	\$62,563,122	\$830,420	\$1,626,246	\$110,829,535	\$91,038,119
Avg. of 33 Communities	1,613	\$44,256,084	\$484,407	\$1,132,797	\$75,326,502	\$63,502,708

Source: National Assembly of Local Arts Agencies, "Arts in the Local Economy," 1994.

These direct economic impacts create an additional **indirect economic impact** on the local economy. Consider this example:

A theatre company purchases a gallon of paint from the local hardware store for ten dollars (that is the "direct economic impact"). The hardware store then uses a portion of the ten dollars to pay the sales clerk's salary; the sales clerk re-spends some of the money for groceries; the grocery store in turn uses some of the money to pay its cashier; the cashier spends some for the utility bill; and so on (these are the "indirect economic impacts").

Thus, the original ten dollars from the theatre has been "re-spent" several times. The local expenditures will continue to have an economic impact on the local economy until the money eventually "leaks out" of the community (*i.e.*, is spent non-locally). The **total economic impact** is the combination of the direct impact and the indirect impact. The following table shows the total economic impact of local spending by nonprofit arts organizations.

Total Economic Impact Per Community
(Average of 1990, 1991 and 1992)

Population Group	FTE Jobs	Personal Income	Local Gov't Revenue	State Gov't Revenue	Estimated Total Expenditures	Estimated Local Expenditures
Less than 100,000	46	\$805,700	\$22,872	\$37,039	\$1,299,188	\$1,015,123
100,000 to 499,999	1,773	\$42,935,631	\$1,483,073	\$2,154,749	\$53,007,345	\$44,772,949
500,000 to 999,999	3,673	\$103,523,823	\$4,019,431	\$5,325,304	\$118,805,022	\$102,803,258
1 million or more	3,478	\$86,273,760	\$3,808,344	\$4,622,944	\$110,829,535	\$91,038,119
Avg. of 33 Communities	2,385	\$61,783,180	\$2,466,621	\$3,211,474	\$75,326,502	\$63,502,708

Source: National Assembly of Local Arts Agencies, "Arts in the Local Economy," 1994.

"The arts are a vital and important part of life in Montana. Not only do they enrich the lives of our people, but the arts and cultural activities are big contributors to our state's economy as well."

U.S. Representative
Pat Williams, D-MT

To make it easier to compare the economic impacts of different communities, researchers calculated the economic impact per \$100,000 of local spending by nonprofit arts organizations. Thus, every \$100,000 spent locally by nonprofit arts organizations had the following total economic impact on their community:

Total Economic Impact Per \$100,000 of Local Spending Per Community
(Average of 1990, 1991 and 1992)

Population Group	FTE Jobs	Personal Income	Local Gov't Revenue	State Gov't Revenue
Less than 100,000	4.55	\$82,142	\$2,293	\$3,618
100,000 to 499,999	4.05	\$88,972	\$3,133	\$4,440
500,000 to 999,999	3.67	\$63,204	\$3,675	\$4,812
1 million or more	3.87	\$95,010	\$4,135	\$5,038
Avg. of 33 Communities	4.00	\$90,780	\$3,385	\$4,544

Source: National Assembly of Local Arts Agencies, "Arts in the Local Economy," 1994.

The following is an example of how to use this table:

An administrator from a dance company that spends \$1 million in a community with a population of 250,000 wants to determine the

company's economic impact on full-time-equivalent employment within the community. The administrator would (1) find the appropriate population grouping; (2) divide the local expenditures by 100,000; and (3) multiply that figure by the economic impact results from the "100,000 to 499,000" population grouping. Thus, \$1,000,000 divided by 100,000 equals 10; ten times 4.05 (from the data table) equals a total of 40.5 full-time-equivalent jobs supported within the community.

ARTS VOLUNTARISM: AN ECONOMIC IMPACT BEYOND DOLLARS

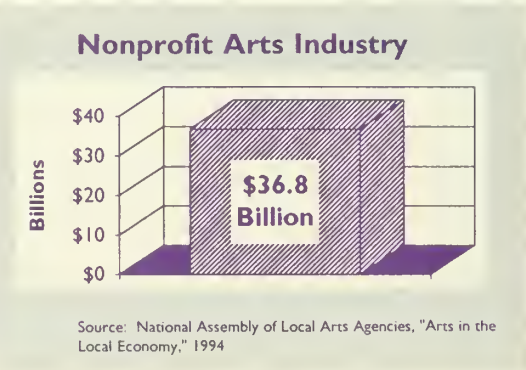
The NALAA study revealed a significant in-kind contribution to local arts organizations as a result of voluntarism. An estimated 10,873 volunteers donated 385,778 hours per year to nonprofit arts organizations in each of the 33 participating communities. In 1992, this represented a donation of time valued at \$4,575,323 per community.³ Volunteers for the arts include members of boards of directors, docents, ushers, and others.

While the thousands of arts volunteers in this country may not have an economic impact in the strict way it is defined in this study, they clearly have an enormous economic impact on the community by assisting in keeping arts organizations functioning as a viable industry.

CONCLUSION

The nonprofit arts are a \$36.8 billion industry in the United States. NALAA's three-year study revealed that spending by nonprofit arts organizations creates jobs, generates income to individuals and revenue to local, state, and federal governments. By demonstrating

that investing in the arts yields economic benefits, the *Arts in the Local Economy* study lays to rest a common misconception: that communities support the arts at the expense of local economic development. This report shows conclusively that locally as well as nationally, *the arts mean business.* ▼

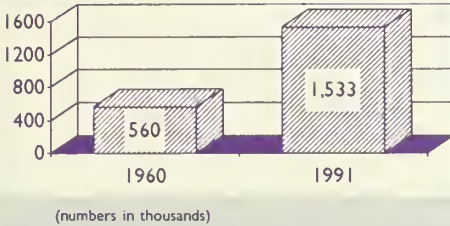


THE SIZE OF THE ARTS INDUSTRY IN AMERICA

Though NALAA has studied and documented only the figures related to the nonprofit arts industry, other indicators show additional jobs

and economic contributions to the American economy made by the arts industry as a whole. For example, 1991 Bureau of Labor statistics indicate that more than 1.5 million Americans work as artists, only some of whom work in the nonprofit arts industry. Moreover, this figure represents only artists and does not include the myriad of administrators, technical workers, and support staff that comprise all arts

Artists in the Workplace (Nonprofit and For-Profit)



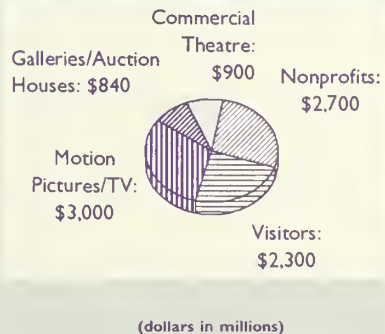
Source: "The Arts in America, A Report to the President and to Congress," National Endowment for the Arts, 1992.

organizations. The National Endowment for the Arts, using 1992 figures, has pointed out that, "if we begin to include those involved in the larger arts and entertainment complex of industries, the number rises further to 3.2 million (jobs) . . . 2.7 percent of the workforce."

For-profit and Nonprofit Arts in Metro New York-New Jersey: a \$9.8 Billion Dollar Impact

- The total economic impact of the nonprofit and for-profit arts in the New York-New Jersey metro region was \$9.8 billion — a 14 percent increase since 1982.
- Nonprofit cultural institutions in New York City had total expenditures of \$1.3 billion — a total economic impact of \$2.7 billion.
- Capital investment totaled \$1.5 billion between 1982 and 1992.
- The economic impact on New York City was \$9.2 billion.

Metro New York-New Jersey: \$9.8 billion



Source: Alliance for the Arts, "The Arts as an Industry: Their Economic Importance to the New York-New Jersey Metropolitan Region," 1993.

Indeed, the extensive 1992 study, *The American Arts Industry*, conducted by Kultural Econometrics International for the National

The Arts were six percent of the U.S. GNP in 1989
(includes for-profit and nonprofit sectors)

	Industrial Output	% of GNP
Total Arts Industry	\$314.5	6.0%
Literary Arts	\$145.6	2.8%
Media Arts	\$147.2	2.8%
Performing Arts	\$ 14.3	0.3%
Visual Arts	\$ 7.4	0.1%
Gross National Product (in billions)	\$5,234.0	100%

Source: Chartrand, "The American Arts Industry: Size and Significance," National Endowment for the Arts, 1992.

Endowment for the Arts, clearly documents that the overall American arts industry is the aforementioned 2.7 percent of the U.S. work force. It further demonstrates that the literary arts, media arts, performing arts, and visual arts from both nonprofit and for-profit sectors produce a net industrial output of \$314.5 billion in the United States, or six percent of our nation's Gross National Product (GNP).

INTERNATIONAL IMPLICATIONS

Internationally, the economic value of the arts is not going unnoticed. Other nations highly value the economic importance of the

arts in their own countries and look to the United States as a potential market and source of revenue. Canada, with a population of 28 million (less than California's population of 31 million and barely more than one-tenth of the population of the United States), boasts a \$22 billion arts economic impact. The European Community (EC), in its June 1993 white paper, directs member states to undertake measures which "promote the development of new employment opportunities through the use of public/private partnerships at all levels and notably, in potential growth areas such as . . . the arts." As recently as December 1993, the critical GATT (General Agreement on Tariffs and Trade) negotiations nearly broke down over the insistence by the EC on protection for its film and broadcast industry. ▼

*"Increasingly cities
around the world
have come to
understand the
pivotal importance of
the arts to their
economic future."*

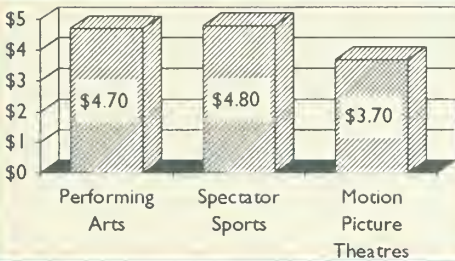
Mayor Sharpe James,
City of Newark, N.J.

Denver Cultural Attendance Exceeds Professional Sports Teams

A study by the Colorado Business Committee for the Arts and the accounting firm of Deloitte & Touche revealed a \$461 million local sales impact by nonprofit cultural organizations and their audiences in Metro-Denver. In 1992, the total economic impact of the nonprofit arts supported more than 11,000 jobs and a local payroll of \$161 million.

Attendance to the cultural organizations was greater than the professional baseball, football, and basketball sports teams **combined**.

1991 U.S. Admission Receipts (\$ in billions)



Source: National Endowment for the Arts, "Research Note #38," 1993.

1992 Culture and Sports Attendance

Colorado Rockies (1993)	4,483,000
Denver Broncos	731,000
Denver Nuggets	603,000
Total	5,817,000

Cultural Groups 7,299,000

Source: Colorado Business Committee for the Arts, "The Economic Impact of the Arts in Metro Denver, 1993.

The Denver study compared their audience spending to the published results of six other communities. Audience spending is measured because when people attend cultural activities, they spend money on non-ticket items such as food, lodging, parking, and transportation.

"The arts are an extremely important part of Colorado. They give a rich texture to our society and play an important part in both our economic development and quality of life."

Governor Roy Romer, Colorado

Audience Spending Per Person

Aspen, CO	\$77.54
Orange County, CA	\$36.68
St. Paul, MN	\$22.55
San Antonio, TX	\$21.00
Atlanta, GA	\$15.44
Houston, TX	\$14.00
Denver, CO	\$10.98

Source: Colorado Business Committee for the Arts, "The Economic Impact of the Arts in Metro Denver, 1993.

BACKGROUND AND SCOPE OF STUDY

"Regions that learn to cooperate in the arts are more likely to cooperate in land use, transportation, work-force preparedness — that is, to plan their futures, rather than let the vagaries of international economics overtake them."

Syndicated Columnist
Neal R. Peirce
Washington Post Writers Group

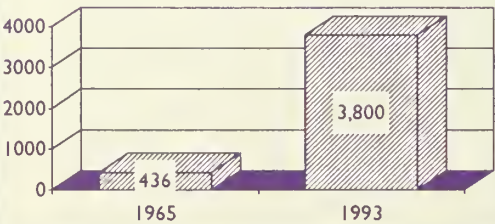
The *Arts in the Local Economy* study was conducted by the National Assembly of Local Arts Agencies (NALAA), a Washington, D.C.-based nonprofit organization serving the 3,800 local arts agencies in the United States. NALAA's mission is to help local arts agencies make the arts an integral part of their communities' development. Major funding for this study was provided by the Charles Stewart Mott Foundation, with additional funding from the National Endowment for the Arts and the 33 participating communities.

The prime agents for gathering and disseminating information for the *Arts in the Local Economy* study were local arts agencies, which have a key role in ensuring that the case for the arts is clearly articulated to policy makers. These agencies — 3,800 in all in the United States — are known by a variety of names: arts councils, arts commissions, departments of cultural affairs, offices of arts and humanities, and so forth. Operating either as city or county government agencies or as private nonprofit organizations, they provide grantmaking, facility management, cultural planning, arts programming, and other programs and services in support of arts organizations, artists, and the community as a whole.

Local arts agencies are important because they support not just one discipline or style of art, but a wide and inclusive range. They help weave art and culture into the fabric of daily life for everyone in the community. By providing technical and financial support as well as

information, advocacy, and education, they facilitate the responsible growth of the arts as an industry. The tapestry created by this threading of arts and culture throughout neighborhoods is in large part what brings residents, businesses, conventions, and tourism to a city.

Growth of Local Arts Agencies



Source: National Assembly of Local Arts Agencies

"As we struggle to compete in the global economy, the growth of our conceptual powers is essential to our future . . . A culturally active community attracts corporations, tourists and jobs. A single artist — for example, a writer whose book becomes a best seller and a movie — creates literally hundreds of jobs."

**New York Lt.
Governor Stan
Lundine,
Alliance of New
York State Arts
Councils, Saratoga,
New York, October
14, 1993**

COMMUNITIES STUDIED

Three characteristics of the study contribute to the usefulness and validity of its findings. First, the 33 communities were selected to represent a cross-section of the nation, thus strengthening the reliability of generalizations based on their data. The aspects of their diversity include,

- geography (stretching from Florida to Alaska);
- population (ranging from 8,500 to 2,500,000); and
- type (encompassing rural to large urban).

Second, for purposes of analysis and national extrapolations, the communities were stratified into four groups based on their population. Averages are reported for each population group and for the 33 communities together. The four population groups are as follows:

Group	Population	Number of Communities Studied
I	Less than 100,000	6
II	100,000 to 499,999	10
III	500,000 to 999,999	8
IV	1,000,000 or more	9

Finally, the NALAA study purposely excluded several of the "big players" in the nonprofit arts world — New York City, Chicago, and Los Angeles, for example — to avoid inflating the averages. NALAA's study of 33 cities and counties indicates an average per community expenditure by nonprofit arts organizations of \$75.3 million. The comparable figure for New York City alone was \$1.3 billion — or 17 times NALAA's per city average — based on the 1993 study, *The Arts as an Industry: Their Economic Importance to the New York-New Jersey Metropolitan Region*.

These characteristics are strong indicators that the Population Group averages and national estimates based on the 33-community sample may, actually, understate the economic impact of nonprofit arts activity.

ARTS ORGANIZATIONS SURVEYED

In each of the 33 cities and counties, up to 35 randomly-selected nonprofit arts organizations and their local arts agencies were extensively surveyed for three successive years — a total of 1,093 arts organizations each year. Like their communities, these organizations vary widely, ranging from grand opera companies, public radio stations, and historical museums to weaving societies, choral groups, and arts service organizations. The responding organizations had annual budgets ranging from \$0 to \$45,000,000. The number of surveys returned (the response rates) were impressive: 643 (59 percent), 728 (67 percent), and 789 (72 percent) during fiscal years 1990, 1991 and 1992, respectively. The study yielded consistent data over the three years, providing further validation of the results.

STUDYING ECONOMIC IMPACT USING INPUT/OUTPUT ANALYSIS

In this study, the **economic impact** is defined as the employment (full-time-equivalent jobs), personal income (salary, wages, and proprietary income), and government revenue generated by the dollars spent in the community by its nonprofit arts organizations. The impact of this spending is far-reaching: arts organizations pay their employees, purchase supplies, contract for services, and acquire assets within the local community. These actions, in turn, support local jobs, create personal income, and generate revenue to the local and state government.

This study focused *solely* on the economic impact of local spending by nonprofit arts organizations. It did not include the related spending by individual artists, arts audiences (restaurants, hotels, parking), or the for-profit arts sector (Broadway or the motion picture industry, for example).

Econometricians used the method of **input/output analysis** to study the local economic impact of the nonprofit arts. It is an ideal method for studying the nonprofit arts and their economic impact because it is tailored to each individual community. This mathematical model

"In NALAA's Arts in the Local Economy study, the economic impact is defined as the employment (full-time-equivalent jobs), personal income (salary, wages, and proprietary income), and government revenue generated by the dollars spent in the community by its nonprofit arts organizations."

"A recent national poll found that fully 92 percent of Americans say that the arts are important to the life of their neighborhoods . . . and their economies. . . . Arguably, it is one of the best investments the federal government can make."

U.S. Senator Edward M. Kennedy, D-MA

traces how many times a dollar is re-spent within a community, and the economic impact of each round of spending. Each community's model was customized based on the local dollar flow between 533 finely detailed industries within that community. Additional wage, labor and commerce data were collected from the community's local and state government and from the federal government to complete the input/output model.

NATIONAL ESTIMATES

The national estimates of the nonprofit arts industry were derived by determining the population of the 19,296 cities in the United States and then assigning them to one of the four population groups listed on page 15. Each city was then assigned the average economic impact results for that population group. The economic impact values of the 19,296 cities were then added together to determine the national economic impact. Not included in the calculation of the national estimates were the 16,666 towns and townships and 47,687 other local governments in the United States.⁴ Also excluded was the economic impact of non-local expenditures by nonprofit arts organizations (about 20 percent of the total expenditures, or \$7 billion). These results, therefore, are conservative estimates of the national economic impact of the nonprofit arts industry. ▼

Footnotes

¹ The Federal Income Tax Revenue includes only income tax paid on the \$25.2 billion in personal income at the rate of 13.4 percent, the average percentage of adjustable gross income paid to the Internal Revenue Service in 1991 (latest data available).

² The U.S. Department of Labor reports that there were 97,026,000 full-time-equivalent jobs in the United States in 1992.

³ In *Giving and Volunteering 1992*, by the Independent Sector, the value of the average 1992 volunteer hour is placed at \$11.86.

⁴ Source: U.S. Bureau of the Census, 1992 Census of Governments, *Government Units in 1992*.

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	Aberdeen, South Dakota	Aberdeen Area Arts Council
	Houston, Texas	The Cultural Arts Council of Houston
	Cache County (Logan), Utah	Capital Art Alliance
	Salt Lake City, Utah	Salt Lake City Arts Council
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The **NATIONAL ASSEMBLY OF LOCAL ARTS AGENCIES** represents the nation's 3,800 local arts agencies in developing an essential place for the arts in America's communities. It helps member agencies with leadership and professional development, research, information and publications, public policy development and public awareness.

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"I congratulate the National Assembly of Local Arts Agencies on their benchmark report, Arts in the Local Economy, which offers concrete evidence of the tremendous impact the not-for-profit arts have on local economies."
Jane Alexander,
Chairman of the
National Endowment
for the Arts

The **NATIONAL ASSEMBLY OF LOCAL ARTS AGENCIES**

(**NALAA**) was established as a nonprofit, independent agency in 1978.

NALAA represents the nation's 3,800 local arts agencies in developing an essential place for the arts in America's communities. NALAA believes that the arts are fundamental to the continued growth of our diverse and multicultural communities. Local arts agencies are vested with the responsibility to further local cultural and artistic interests and ensure access to them. To that end, NALAA, in partnership with its field, takes leadership in strengthening and advancing local arts agencies through professional development, research and information, advocacy, formulation of national arts policy and resource development for local arts agencies.

NALAA services include:

- advocacy
- arts-in-education programs
- *Connections Monthly* newsletter
- economic impact study services
- educational publications, including ArtStart, Community Vision, and Fundamentals of Arts Management
- monthly *Monographs* on targeted topics
- national arts policy position development
- professional development, including an Annual Convention
- regional and topical workshops and conferences, including technical assistance

NALAA is a membership organization for local arts agencies, organizations and individuals interested in community arts development. NALAA defines a local arts agency as "a community organization or an agency of city or county government which provides financial support, services, or other programs for a variety of arts organizations and/or individual artists and the community as a whole." For further information, please contact NALAA at 927 15th Street, NW; 12th Floor, Washington, DC 20005; telephone 202.371.2830; fax 202.371.0424.

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